Annual Report 1969

GRAND UNION

Directors and Officers
The Grand Union Company

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EMERSON E. BRIGHTMAN	*Executive Vice President*
HELEN G. CANOYER	*Dean, School of Home Economics, University of Massachusetts*
*S. WILLIAM GREEN	*Regional Administrator, U.S. Department of Housing and Urban Development*
IRVING KAHN	*Partner, Abraham & Co., Securities New York City*
*LAWRENCE C. MARSHALL	*Chairman of the Executive Committee; Retired Vice Chairman Board of Directors, The Chase Manhattan Bank, N. A.*
WILLIAM H. PREIS	*Senior Vice President*
*ARTHUR J. QUINN	*President, The New York Bank for Savings*
*JOHN E. RAASCH	*Former President and Chairman Board of Directors, John Wanamaker*
*CHARLES G. RODMAN	*President and Chief Executive Officer*
ARTHUR ROSS	*Executive Vice President and Managing Director, Central National Corporation, Investments New York City*
EARL R. SILVERS, JR.	*Administrative Vice President*
LAURENCE A. TISCH	*Chairman of the Board of Directors, Loew's Theatres, Inc.*

**Executive Committee*

Officers

CHARLES G. RODMAN	*President and Chief Executive Officer*
EMERSON E. BRIGHTMAN	*Executive Vice President*
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CHARLES H. HAIGHT	*Treasurer*
LEONARD WOLFRAM	*Secretary and General Attorney*
JOHN H. MILBANK	*Assistant Treasurer and Controller*
BAXTER T. DUFFY	*Assistant Secretary*
FREDERICK H. GUNTSCH	*Assistant Secretary*

Transfer Agent
The Chase Manhattan Bank, N. A.
New York, N. Y. 10015

Registrar
Chemical Bank New York Trust Company
New York, N. Y. 10015

[redacted]

Financial Highlights 1969

	1969	1968
Sales	$1,113,373,952	$1,017,412,519
Earnings before income taxes	32,885,935	27,398,778
Income taxes	17,690,000	14,080,000
Net income	15,195,935	13,318,778
Net income per common share*	2.30	2.02
Cash dividends per common share	.80	.60
Net income as a percent of sales	1.36	1.31
Working capital	61,798,436	61,764,418
Ratio of current assets to current liabilities	1.86 to 1	2.10 to 1
Common shares outstanding	6,433,431	6,588,099
Number of common stockholders	15,115	15,502

**Based on the average number of shares outstanding during the respective periods. Net income per share is stated after dividends paid on the 4½% cumulative preferred stock.*

The Grand Union Company's first supermarket of the 1970's is this colonial-style 22,000 square foot store which opened in Westport, Connecticut, during the first week in January.

The Grand Union Company

100 Broadway, East Paterson, New Jersey 07407

Annual Meeting

The annual meeting of stockholders of The Grand Union Company will be held at 10 A.M. on Wednesday, May 27, 1970, in the Playhouse on the Mall, Bergen Mall Shopping Center, Route 4 and Forest Avenue, Paramus, New Jersey.

A notice of the meeting, a proxy statement and form of proxy are being mailed with this report to each stockholder of record as of April 6, 1970.

TO THE STOCKHOLDERS

Grand Union ended the decade of the 1960's with new highs in both sales and earnings for the seventh successive year.

During the 52-week 1969 fiscal year which ended February 28, 1970, sales amounted to $1,113,373,952, better by 9.4% than those of 1968. Sales a year ago totaled $1,017,412,519.

A new high in net income was also recorded in 1969. Earnings after taxes reached $15,195,935, up 14% over 1968 net income of $13,318,778. Net income in 1969 was equal to $2.30 per share of common stock, based on the average number of shares outstanding during the year. In 1968, net income equaled $2.02 per share.

Termination of the 7% investment tax credit retroactive to April, 1969, had the effect of reducing earnings by approximately $550,000, or 8¢ per share.

Dividend Action Taken

At the meeting on April 10, 1970, the Directors of the company voted a regular quarterly cash dividend of 20¢ per common share, thereby continuing cash dividends at the higher rate established a year ago when the cash dividend rate was increased.

As reported to stockholders last year, the company may from time to time purchase its own securities in the open market. During 1969 the company acquired for its own account 167,620 shares of Grand Union common stock at prices ranging from $21.25 to $28.50 per share.

Decade of 60's One of Great Growth

The decade of the 60's represented a period of great growth for The Grand Union Company. Sales increased 84%, and profits showed a gain of 107%.

Following are some of the accomplishments making this progress possible.

An organizational re-structuring of the supermarket group, which accounts for more than 90% of the company's sales, was carried out. A decentralized field organization was created by setting up nine semi-autonomous operating divisions, each staffed by experts in supermarket merchandising and operations. Complementing this, the general headquarters staff was organized on a functional basis to lend technical advice and guidance to specialists in the field.

New Territory Added

Physical facilities were substantially expanded. This was carried out not only within the company's traditional marketing area of New York, New Jersey, and New England, but in new territory as well.

From a base of four stores acquired in 1958, our Caribbean Division has been expanded to 16, including our first in the U. S. Virgin Islands. We have developed a management team consisting primarily of Puerto Rican citizens who have demonstrated their ability and capacity to continue the company's growth in the Caribbean area.

Other areas of especially rapid growth during the decade were in Florida, where the number of supermarkets grew from 16 to 47 and in metropolitan Washington, D. C., where we now operate 46 supermarkets as compared to 31 in 1960.

Expansion of the Grand Way General Merchandise Division of the company was also stressed during the period. It grew from 13 stores in 1960 to 31 in operation at the end of 1969.

During the 1960's, the company carefully defined its role as a supermarket operator: That of a retailer with an obligation to present to the public a wide assortment of first quality family merchandise at the lowest possible price consistent with a fair return to stockholders. Intensive personnel training programs were inaugurated and are still being carried on at all levels. Significant improvement has been made in increasing productivity throughout the company by research, training and capital investment.

While many of our competitors engaged in merchandising programs involving the abandonment of trading stamps during the past 10 years, we have pursued a policy of maintaining competitive prices while at the same time giving customers our own Triple-S Blue Stamps. Our Triple-S Stamp company has become one of the leaders in the industry.

Merchandising, Operational Vice Presidents Named

This past March, Ernest H. Berthold, Harold A. Bogert, George D. Hamilton and Caryle J. Sherwin were designated Merchandising Vice Presidents of the company's Supermarket Division. These headquarters executives


Charles G. Rodman, President

are responsible for the meat, grocery, general merchandise and fresh produce departments. Named to the position of Operational Vice President-Distribution was Rodney L. Renne, and James M. Hayes was named to the position of Operational Vice President-Real Estate. Averaging 20 years of experience primarily in the activity for which he is now responsible, each of these executives has made an outstanding contribution to the growth and success of the company.

Although progress in the Grand Way Division was disappointing for several years, we have today firmly set our merchandising and operating policies, established an organization capable of executing them and converted all of the Grand Way stores so as to have the physical facilities to permit the successful implementation of our basic policies. Bertram S. Kaiser was appointed Executive Vice President of the Grand Way General Merchandise Division early in 1969, and Joseph A. Panepinto was named divisional Vice President and General Operations Manager. Thomas F. Patterson was appointed divisional Vice President and General Merchandise Manager. All three have been associated with the company for many years. With this experienced leadership, significant improvement in both sales and profits for Grand Way was made during the past year. We are now confident of our ability to carry this very important part of the company forward satisfactorily.

New Directions In Distribution

At the end of the decade, recognizing that there were strong indications of new directions in distribution, we initiated pilot projects in three areas — a full-line, family service restaurant operation, a convenience store retail food division and a full-line prescription drug store operation. Gilbert A. Schumacher was appointed President of Grand Patio Restaurants and Jack F. Elmer was named President of Grand Rx Drug Stores. Both Mr. Schumacher and Mr. Elmer have also been associated with the company for many years and continue their former duties with the Triple-S Stamp Company.

We have also in recent years greatly increased sales and profits of our materials handling division, North American Equipment Corporation, and added to its product lines. We believe that the future holds great promise for this operation. William F. Van Loan was named President of North American Equipment Corporation in recognition of the responsibilities he has discharged for the past ten years.

Toward Greater Growth In The 70's

We are hopeful that the next 10 years will witness greater growth for Grand Union than the decade just past. With the very substantial real growth of the national economy which appears certain, we believe the company is fully capable of increasing its business in all of its activities: supermarkets, general merchandise discount stores, restaurants, drug stores, convenience food stores, equipment manufacturing, trading stamps.

Inflation continues to be one of the greatest impediments to real growth. Strong efforts must continue to curb the dangerously high rate of inflation that has resulted both in sharply increased prices and sharply increased costs of operation.

Continuing difficulties are foreseen in getting new facilities constructed because of the high cost and scarcity of credit coupled with soaring costs of real estate and construction. The recent reduction in the prime interest rate is encouraging. Beyond that, we believe that the national interest will make it necessary to greatly facilitate new construction in the near future.

The close of the 1960's saw the company in a strong position, both with respect to its people and its physical resources. We enter the decade of the 70's with a high degree of optimism. We are looking forward to another good year in 1970.

Charles G. Rodman

President

April 20, 1970

REVIEW OF OPERATIONS

Supermarket Division

For the second successive year, substantial quarter-by-quarter sales gains in existing stores enabled the Supermarket Division to pace the company to record sales and earnings.

In 1969, as in 1968, new store construction was less than planned, primarily due to financing difficulties stemming from tight money, high interest rates and spiraling construction costs. We were able to open 16 supermarkets, one more than in 1968. Those opened were large, full-service food stores averaging more than 20,000 square feet in size.

The ribbon for the first Grand Union supermarket in the U. S. Virgin Islands was cut by Mrs. Gertrude Dudley, the landlord, in Charlotte Amalie, St. Thomas, last June. Looking on (left) is Warren Todmann, District Manager and store supervisor, and (right) Walter F. Eggers, Vice President and General Manager of the company's Caribbean Division.

Diversion of funds that would normally have been used to fixture and stock new stores made it possible to carry out substantial enlargement of another eight markets. An additional 26 were renovated on a major scale, at a cost of $50,000 or more each.

The company during 1969 invested its own funds in a number of properties to facilitate the building of new stores, the enlargement of present stores and the expansion of warehouse facilities. Nine property purchases were made in 1969. Others will be made this year.

Top priority is being given in 1970 to stepping up expansion of the Supermarket Division and its supporting distribution center facilities.

Thousands of first-day customers thronged the new store in Charlotte Amalie. A second Grand Union supermarket is soon to be built in the Virgin Islands on the island of St. Croix.

Seventeen large supermarkets were under construction as this fiscal year began. Three have opened; the others are all scheduled to be in operation by late summer. Another twenty-two supermarket sites are under lease. Enlargement and renovation of existing markets will be carried out on a scale fully comparable with that of 1969.

Additional distribution center facilities are needed to support projected sales growth in the next few years. Work is now well along on a 100,000 square foot addition to the distribution center in Waterford, New York. The entire center is being renovated and modernized.

Typical of other large, full-service supermarkets being opened today by Grand Union is this 30,000 square foot store in Wood-Ridge, New Jersey. It features an in-store bakery, delicatessen, service fish department, gourmet cheese shop and a hot take-out food section.

Later, construction of a new meat handling facility will be undertaken at Waterford. During March, 1970, an option was signed on property in Miami, Florida, upon which we expect to replace our distribution center in Hialeah. Replacement will take place in stages over the next five years, starting with construction of a perishables handling building.

Checking construction progress on an addition to the Waterford, New York, distribution center are (left to right) Ralph D. Lytle, Corporate Vice President and in charge of the Empire Division headquartered in Waterford; Rodney L. Renne, recently named Operational Vice President—Distribution, and Arthur N. Henningson, Manager of Warehouse Development.

Entry Into Convenience Food Field

With convenience food retailing currently representing a volume of some $1.6 billion annually and projected to increase significantly in the next 5 years, Grand Union has entered the field by setting up an E - Z Shop Division.

The first E - Z Shop, a 2,500 square foot store with parking for 16 cars, opened early in February, 1970, in Hopewell Junction, New York. Open 16 hours a day, 365 days a year, the E - Z Shop features nationally advertised brands of groceries, frozen foods, milk, baked goods, butter, bread, eggs, ice cream, delicatessen items, beer, soft drinks. It also carries a selection of non-food items ranging from newspapers and magazines, photo film and flash bulbs, cigarettes and cigars, to nylons and panty hose, children's games and toys.

Opening of an E-Z Shop in Hopewell Junction, New York, this past February marked the company's entry into the field of convenience food retailing.

Six additional E - Z Shops are planned to be put into operation this year.

Productivity Stressed

To continue profitable operations in the company's supermarkets in an era of rapidly rising costs requires unceasing efforts to improve productivity. The keys to productivity are morale, job knowledge and work simplification. Continuous training programs are underway at all levels in the company and research into work simplification is carried on under a planned program. We have started to make good progress in the installation of more central fabricating and packaging operations in our meat and produce warehouses.

Sample of the select, pre-packaged produce offered in the E-Z Shop is checked by (left to right) Robert Schwartz, General Merchandising Manager, and Raymond J. Martin, General Manager, E-Z Shop Division.

To further trim grocery handling costs, experiments are being conducted on a wheeled cart system of distribution from the warehouse direct to the store shelf. Especially designed carts are being loaded for individual stores on an aisle-by-aisle basis at the distribution center. Carts are trucked directly to the store and pushed immediately into the proper aisle for shelving. Initial experience with the "cartveyor" system of rolling merchandise all the way from the warehouse to the store shelf with no backroom or basement stopover at the supermarket indicates that it offers yet another means of increasing productivity while simultaneously bettering service to customers.

New equipment, as well as improved methods, contribute greatly to the drive for greater productivity. At the Bridgeport, Connecticut, plant of Nancy Lynn Bakeries — which supplies more than 400 of the company's supermarkets with our own brands of bread, rolls and cake — a new dry sugar pipeline delivery system was installed last year. Corn and cane sugar is now piped directly from tank cars and trucks to 100,000 pound storage tanks. Not only have costs of delivering basic raw materials to the bakery been reduced, but sanitation at the plant has been simplified and improved.

Grand Way Division

There was significant improvement during 1969 in the performance of the company's 31-store Grand Way General Merchandise Division.

Sales increased at a rate higher than total company sales. This solid achievement in improving sales each quarter of the fiscal year enabled the Grand Way Division to operate profitably in 1969.

Improved Grand Way results have been brought about by strengthening and refining merchandising and operational policies, procedures and practices. General merchandise is being sold through Grand Ways today on the same quantity purchase, low-margin principles that govern the sale of food through the company's supermarkets.

While no new Grand Ways were opened during the year and only one major renovation was carried out, the three stores opened in 1968 all continue to produce results as planned.

Use of consumer credit by customers of Grand Way has been considerably expanded by utilization of several of the major bank credit cards available in the various trading areas served by the stores. Since these plans were introduced, credit sales in Grand Ways have more than doubled.

During 1970, Grand Way sales are expected to continue to show gains and further improvement in profit is expected.

Physical expansion of the Grand Way Division will be resumed. It is hoped that at least two new stores will be either opened or under construction by the end of 1970.

Bertram S. Kaiser, Executive Vice President of the Grand Way General Merchandise Division of the company, confers with Joseph A. Panepinto, Vice President and General Operations Manager for the 31-store discount store unit.

Thomas F. Patterson, Vice President and General Merchandise Manager for the Grand Way Division, checks inventory records with his Assistant, Edwina Harris.

Emerson E. Brightman (seated, center), Executive Vice President in charge of the company's Supermarket Division, confers with the four newly appointed Vice Presidents of the Division. They are (left to right) Caryle J. Sherwin, Merchandising Vice President — Proauce Department; Ernest H. Berthold, Merchandising Vice President — Meat Department; George D. Hamilton, Merchandising Vice President — General Merchandise Department, and Harold A. Bogert, Merchandising Vice President — Grocery Department.

Thomas R. Doyle (seated), Senior Vice President in charge of Operations for the company, with his newly-named Assistant, Patrick A. Deo, former Vice President and General Manager of the 91-store Suburban Division.

James M. Hayes (left), recently appointed Operational Vice President — Real Estate, chats with (left to right) Earl R. Silvers, Jr., Administrative Vice President, and John D. O'Connell, Vice President and Director of Development.

Popularity of Triple-S Blue Stamps Grows

Business improved for the 14th consecutive year for Grand Union's wholly-owned Stop and Save Trading Stamp Corporation which distributes Triple-S Blue Stamps. Redemption of saver books for gifts reached a new high in 1969, as did the average number of books redeemed per transaction.

Since it began operations in 1955, Triple-S has redeemed upwards of 70-million books of trading stamps for merchandise with a retail value in excess of $200-million.

To better serve the growing number of savers who receive their Blue Stamps from Grand Union supermarkets and thousands of other retail merchants along the eastern seaboard, four additional small, quick-service redemption centers were opened last year in supermarkets to bring the number of these smaller centers to 18. In addition, Triple-S operates 60 large, full-service redemption centers.

William H. Preis (second from right), Senior Vice President of the company in charge of diversified operations, with the heads of three of Grand Union's wholly-owned subsidiaries. They are (left to right), William Van Loan, President of North American Equipment Corporation; Jack F. Elmer, President of Grand Rx Drug Stores, Inc., and Gilbert A. Schumacher, President of Grand Patio Restaurants, Inc.

Grand Patio Restaurants

Early in 1970 the company opened its 31st food service unit. This was a 3,250 square foot Grand Patio Restaurant in Dumont, New Jersey, a prototype for similar free-standing Grand Patios to be opened in the future.

With accommodations for 120 diners, lunch and dinner are served seven days a week. There are special Sunday brunches. The restaurant in Dumont is a full-waitress-service, family dining place featuring popular, reasonably priced, especially prepared dishes served in a gracious manner under the highest standards of cleanliness.

Opening of this free-standing Grand Patio Restaurant in Dumont, New Jersey, early in 1970 brought the company's total food service units to 31.

Five counterparts of the Grand Patio in Dumont are expected to be opened during 1970. The earliest are planned for Eatontown and West Orange, New Jersey.

Grand Rx Drug Stores

With 18 prescription drug departments already in operation in Grand Union supermarkets and Grand Way general merchandise discount stores in Florida, the company's Grand Rx Drug Stores Division in February opened its first free-standing unit in Wood-Ridge, New Jersey.

The first free-standing Grand Rx Drug Store opened early in 1970, in Wood-Ridge, New Jersey.

Featuring a complete line of prescription drugs, this new Grand Rx also sells name brand cosmetics, health and beauty aids, baby needs, greeting cards, small appliances, candy, ice cream, hosiery and paper products. The 5,000 square foot store is open daily, 9 A.M. to 9 P.M., and on Sundays from 9 A.M. to 6 P.M.

Six additional Grand Rx stores are planned for fiscal 1970. They will range from 6,000 up to some 15,000 square feet.

Alvin Malley, named in early 1969 to the newly-created position of Director of Vending Machine Operations for the company, samples coffee from one of the vending units installed in a larger new supermarket.

North American Equipment Corporation

Sales and profits were at an all-time high in 1969 for this wholly-owned subsidiary that manufactures and sells materials handling equipment to mass merchandising firms coast-to-coast.

With an expanded line of products, as well as larger engineering and sales staffs, North American plans to relocate its assembly operations this year in a new building that will provide added manufacturing and warehousing space.

With the addition by acquisition of a small conveyor maker whose products are often used in conjunction with its Quik-Pik storage and selection installations in warehouses, North American looks forward to growth in 1970 at an even faster pace than in 1969.

Upright freezer display cases are proving extremely popular with customers.

Eastern Shopping Centers, Inc.

Rental income for Eastern Shopping Centers, Inc., realty development firm in which Grand Union has a 29% interest, increased 8.4% in 1969 to a record $6,401,006.

Eastern has initiated several actions to improve its liquidity. Management expects that completion of these transactions will enable Eastern to take advantage of new opportunities in the field of real estate development this year and through the decade of the 70's.

Fresh fruits and vegetables, attractively displayed, give eye-appeal to the supermarket.

Boy Scouts from Puerto Rico and the Virgin Islands, whose stop-over in the nation's capital on the way home from the Boy Scout National Jamboree in Farragut, Idaho, last summer was financed by Grand Union, say "thank-you" by presenting a special neckerchief to Murray Socolof, Vice President and General Manager of the company's Washington, D. C., Division.

Trainees successfully completing the course in this company sponsored school set up under the JOBS program of the National Alliance of Businessmen are assigned regular jobs in one of several Grand Union supermarkets in New York City. Alfred T. Jackson (right rear), Personnel Administrative Assistant, is the program coordinator.

Thomas C. Butler, Chairman of the Board, is shown receiving the 1969 Distinguished Service Award from Anne Gary Richmond, President of the Alumni Association of Green Mountain College, Poultney, Vermont. Mr. Butler attended the college when it was known as the Troy Conference Academy.

Grand Union store manager Edward Reitsma last year served as President of a newly organized Youth Employment Service for the communities of Ridgewood and Ho-Ho-Kus, New Jersey. Through Y.E.S., hundreds of high school students were placed in jobs in the area.

Joan Crawford was an unexpected added attraction for customers of a Grand Union in the New York metropolitan area last year. Miss Crawford played the leading role and narrated a food industry trade film, much of which was shot in this store.

INCOME AND RETAINED EARNINGS

	Fifty-two weeks ended Feb. 28, 1970	Fifty-two weeks ended Mar. 1, 1969
Sales	$1,113,373,952	$1,017,412,519
Cost of sales	870,463,289	798,348,123
Gross profit	242,910,663	219,064,396
Operating and general expenses:		
Salaries and wages to employees in the sales department	100,636,044	90,842,639
Other selling, administrative and general expenses	109,208,030	99,474,088
	209,844,074	190,316,727
Operating income	33,066,589	28,747,669
Interest income	640,244	178,318
Interest expense	(310,983)	(450,842)
Other deductions	(509,915)	(1,076,367)
Earnings before income taxes	32,885,935	27,398,778
Income taxes (note 2)	17,690,000	14,080,000
Net income (per average share outstanding: 1969, $2.30; 1968, $2.02)	15,195,935	13,318,778
Retained earnings, beginning of period	19,303,310	16,953,477
	34,499,245	30,272,255
Less dividends:		
On common stock;		
In cash, 80¢ per share, 1969; 60¢ per share, 1968	5,214,128	3,854,460
In common stock, based on market price, 5%		6,898,666
On 4½% cumulative preferred stock, in cash	175,292	215,819
Retained earnings, end of period (note 5)	$ 29,109,825	$ 19,303,310

ADDITIONAL PAID-IN CAPITAL

	Fifty-two weeks ended Feb. 28, 1970	Fifty-two weeks ended Mar. 1, 1969
Balance, beginning of period	$ 73,794,053	$ 62,038,310
Add:		
Excess of retained earnings capitalized in connection with stock dividends over par value of shares issued		5,398,956
Excess of amounts received over par value of common shares issued under employees' stock option plans (note 4)	181,155	372,912
Excess of principal amount of debentures converted into common stock over par value of shares issued		5,614,646
Excess of par value over cost of treasury preferred stock retired	138,630	369,229
Balance, end of period	$ 74,113,838	$ 73,794,053

See accompanying financial notes

Consolidated Balance Sheets

ASSETS

	Feb. 28, 1970	Mar. 1, 1969
Current assets:		
Cash	$ 14,101,113	$ 12,772,914
Temporary cash investments, at cost (approximates market)	6,833,462	5,564,674
Accounts receivable	5,438,111	5,173,049
Inventories, at lower of average cost or market	100,084,824	88,011,838
Prepaid federal income taxes	2,613,350	2,541,185
Prepaid expenses and operating supplies	4,354,499	4,100,198
Total current assets	133,425,359	118,163,858
Investment in affiliated company, at cost (note 1)	2,926,235	2,926,235
Fixed assets, at cost less allowances for depreciation and amortization (1970, $63,813,893; 1969, $58,140,923):		
Land	3,297,333	3,021,518
Fixtures and equipment	56,942,015	54,145,916
Leasehold improvements and leaseholds	15,293,175	14,873,726
Other	5,207,081	4,366,550
Other assets and deferred charges	936,576	1,176,099
Cost in excess of amounts of net assets at dates of acquisitions	7,411,998	7,411,998
	$225,439,772	$206,085,900

See accompanying financial notes

LIABILITIES

	Feb. 28, 1970	Mar. 1, 1969
Current liabilities:		
Promissory notes due within one year	$ 1,250,000	$ 1,350,000
Accounts payable and accrued liabilities	65,642,897	50,605,783
Federal income taxes	4,734,026	4,443,657
Total current liabilities	71,626,923	56,399,440
Promissory notes payable after one year in varying amounts annually through 1973	3,850,000	5,100,000
4⅛% subordinated debentures, due 1978	600,000	688,400
Liability for unredeemed trading stamps, less amount included in current accrued liabilities (1970, $6,768,147; 1969, $5,958,493)	2,250,000	2,000,000
Deferred federal income taxes	8,960,507	8,802,456
Deferred investment tax credit	1,714,000	2,023,400
Other noncurrent liabilities and reserves	871,452	1,016,494
	$ 89,872,882	$ 76,030,190

STOCKHOLDERS' EQUITY

4½% cumulative preferred stock, $50 par value, callable at $52 per share; authorized 116,000 shares, issued and outstanding at Feb. 28, 1970, 73,473 shares (note 3)	$ 3,673,650	$ 4,031,300
Common stock, $5 par value, authorized 9,000,000 shares, issued at Feb. 28, 1970, 6,602,773 shares (notes 3 and 4)	33,013,865	32,949,105
Additional paid-in capital, as annexed	74,113,838	73,794,053
Retained earnings, as annexed (note 5)	29,109,825	19,303,310
	139,911,178	130,077,768
Less, treasury stock at cost (at Feb. 28, 1970, 169,342 common shares) (note 3)	4,344,288	22,058
	$135,566,890	$130,055,710
	$225,439,772	$206,085,900

See accompanying financial notes

Notes to Financial Statements

(1) *Principles of Consolidation:* The consolidated financial statements include the accounts of all wholly owned subsidiaries. At February 28, 1970, the company's investment in the affiliated company represented approximately 29% of the outstanding common stock of Eastern Shopping Centers, Inc. Eastern acquires, develops and operates shopping centers. The company's equity in the net assets of Eastern, based upon the most recent audited financial statements, amounted to approximately $3,352,000.

(2) *Income Taxes:* Income tax expense includes the following:

	1969	*1968*
Federal income taxes:	*(in thousands)*	
Current provision	$15,799	$12,425
Deferred taxes, net, resulting principally from accelerated depreciation	270	386
Amortization of deferred investment tax credit applicable to 1967 and prior years	(309)	(261)
	$15,760	$12,550
Other income taxes	1,930	1,530
	$17,690	$14,080

The investment tax credits which became available during 1969 and 1968 and which were estimated to be $175,000 and $700,000, respectively, were taken into income as reductions of the current provision.

(3) *Common and Preferred Stock:*

(a) Common Stock: On June 20, 1969 the Board of Directors authorized the purchase by the Company of up to 500,000 shares of its common stock. During the period ended February 28, 1970 the company purchased 167,620 shares at a cost of $4,322,230. During the same period 12,952 shares of common stock were issued as a result of the exercise of stock options.

(b) Preferred Stock: During the period ended February 28, 1970, 7,153 shares were purchased and retired by the company.

(4) *Stock Options:* A summary of the share activity of the stock option plans follows:

Options outstanding, March 1, 1969	372,803
Options granted at $24.25 and $24.50 per share	35,888
Options exercised, cancelled or expired	(71,109)
Options outstanding, February 28, 1970	337,582

(held by approximately 6,250 employees at prices ranging from $15.67 to $25.97 per share).

The outstanding options are exercisable in varying amounts through December 11, 1974. No further options may be granted under existing plans.

(5) *Restrictions on Dividends:* The note agreements and the 4⅛% debenture indenture contain provisions as to the maintenance of working capital and payment of cash dividends. The most restrictive of these provides that consolidated working capital may not be less than $14,500,000, and that payments for net acquisitions of the company's stocks and for cash dividends will be limited in the aggregate to 75% of the consolidated net earnings after March 2, 1957. At February 28, 1970, 75% of such consolidated net earnings exceeded such payments by approximately $42,000,000 and, accordingly, none of the balance of retained earnings is so restricted.

(6) *Property Leases:* The company operates principally in leased premises and at February 28, 1970, there were 535 leases expiring after March 3, 1973. The minimum annual rentals on such leases, not including real estate taxes or other expenses payable under the terms of certain of the leases, aggregate approximately $17,905,000 of which $2,365,000 pertains to leases for stores not yet open as of February 28, 1970. Of the aggregate annual rentals, $13,270,000 applies to leases expiring prior to March 2, 1985 and $4,635,000 applies to leases expiring thereafter but prior to 1992. In addition, the company is contingently liable on 19 leases, applicable principally to stores sold, expiring after March 3, 1973 but prior to 1985, and having minimum annual rentals aggregating $685,000.

(7) *Depreciation and Amortization:* Costs and expenses include depreciation and amortization computed on a straight-line basis of $10,638,000 and $9,923,000 for the periods ended in 1970 and 1969 respectively.

(8) *Pension Plan:* The company maintains a trusteed pension plan covering substantially all full-time employees, except those covered by labor union pension plans to which the company contributes. The company's policy is to fund pension cost accrued.

Effective March 2, 1969 the fund earnings assumption was changed to reflect an increased rate of earnings on fund assets and effective September 1, 1969 the plan became non-contributory.

The aforementioned changes, when coupled with the effect of increased costs resulting from additional employees covered and increased employee compensation, did not in the aggregate significantly effect pension expense. Pension expense was $727,000 and $739,000 for the periods ended in 1970 and 1969, respectively.

Source and Use of Funds

SOURCE	Fifty-two weeks ended Feb. 28, 1970	Fifty-two weeks ended Mar. 1, 1969
Net income	$15,195,935	$13,318,778
Charges to income not requiring funds:		
Depreciation and amortization	10,638,000	9,923,000
Deferred income taxes and investment tax credit	(39,000)	125,000
Sale of stock under stock option plans	245,915	524,557
	$26,040,850	$23,891,335
USE		
Cash dividends	$ 5,389,420	$ 4,070,279
Additions to fixed assets, net	14,969,894	13,833,392
Reduction in long term notes payable	1,350,000	1,350,000
Increase in working capital	34,018	4,631,525
Purchases of company's common stock	4,322,230	—
Changes in other assets and liabilities, net	(24,712)	6,139
	$26,040,850	$23,891,335

Auditors' Report

To the Stockholders, The Grand Union Company, East Paterson, New Jersey:

We have examined the consolidated balance sheet of The Grand Union Company and Subsidiaries as of February 28, 1970 and the related statements of income and retained earnings, additional paid-in capital and source and use of funds for the fifty-two week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Company and Subsidiaries for the fifty-two weeks ended March 1, 1969.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of The Grand Union Company and Subsidiaries at February 28, 1970 and March 1, 1969, and the results of their operations and source and use of funds for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

April 9, 1970
2 Broadway, New York, N. Y.

Ten Year Financial Summary

(Dollar amounts in thousands except for per share figures)

FOR THE YEAR	1969	1968	1967 (53 weeks)	1966	1965	1964	1963	1962	1961 (53 weeks)	1960
Sales	1,113,374	1,017,413	935,864	836,242	779,683	740,040	667,417	630,530	640,622	604,274
Earnings before income taxes (4)	32,886	27,399	22,125	20,304	20,352	18,572	14,370	10,204	14,583	14,471
Income taxes (4)	17,690	14,080	10,745	9,400	9,500	9,000	7,350	5,150	7,430	7,380
Net income	15,196	13,319	11,380	10,904	10,852	9,572	7,020	5,054	7,153	7,091
Net income per common share (1) (2)	2.30	2.02	1.81	1.74	1.74	1.54	1.12	.80	1.15	1.16
Cash dividends per common share (1) (3)	.80	.59	.56	.54	.51	.49	.48	.47	.45	.44
Stock dividends	—	5%	5%	5%	4%	4%	2%	3%	3%	5%
Depreciation and amortization	10,638	9,923	9,114	8,244	7,517	7,180	6,586	6,381	6,163	5,737
Net income as a percent of sales	1.36%	1.31%	1.22%	1.30%	1.39%	1.29%	1.05%	.80%	1.12%	1.17%
AT THE YEAR END										
Working capital	61,798	61,764	57,133	48,992	47,754	45,858	43,829	38,987	38,210	34,481
Ratio of current assets to current liabilities	1.86 to 1	2.10 to 1	2.03 to 1	1.97 to 1	1.94 to 1	1.96 to 1	2.08 to 1	2.14 to 1	1.98 to 1	1.87 to 1
Common stockholders' equity	131,893	126,024	108,514	99,270	91,875	83,824	76,607	72,702	70,837	64,759
Equity per common share (1)	20.50	19.13	17.50	16.20	15.00	13.77	12.71	12.06	11.73	10.94
Number of stores at year end:										
Supermarkets	534	537	532	531	527	513	499	493	472	469
Grand Way stores	31	31	30	30	25	25	23	23	20	20

(1) Adjusted for common stock dividends.

(2) Based on the average number of shares outstanding during the respective periods. Net income per share is stated after dividends paid on the 4½% cumulative preferred stock.

(3) Dividends on common stock were paid at an annual rate of 80 cents per share in 1969 and at an annual rate of 60 cents per share in prior years.

(4) For 1966 and prior years taxes on income other than federal were classified as administrative and general expenses and not as income taxes.

GRAND UNION SUPERMARKETS

35	Connecticut
47	Florida
20	Maryland
4	Massachusetts
18	New Hampshire
64	New Jersey
276	New York
3	Pennsylvania
26	Vermont
21	Virginia
1	West Virginia
3	Washington, D. C.
15	Puerto Rico
1	Virgin Islands
Total 534	

GRAND WAY STORES

6 Connecticut
Bristol, Danbury, New Britain, Stratford, Waterbury, West Haven

8 Florida
Fort Lauderdale, Miami (3), St. Petersburg (2), Tampa, West Hollywood

4 New Jersey
Closter, East Paterson, Keansburg, Paramus

10 New York
Albany, Binghamton, Cortland, Elmira, Endicott, Nanuet, Newburgh, Plattsburgh, Rome, Wappingers Falls

2 Pennsylvania
Sunbury, West Chester

1 Vermont
South Burlington

Total 31

TRIPLE-S BLUE STAMP REDEMPTION CENTERS

6	Connecticut
8	Florida
1	Maryland
4	Massachusetts
9	New Jersey
30	New York
2	Vermont
Total 60	

Totals as of 2/28/70

GRAND UNION

The Grand Union Company